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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000257

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SUBJECT: KMT'S CROSS-STRAIT DIALOGUE: ECONOMICS NOW,
POLITICS LATER

Classified By: AIT Acting Director Robert S. Wang,
Reasons: 1.4 (b/d)

11. (C) Summary: The KMT plans to continue focusing on economic issues in its engagement with the Chinese Communist Party (CCP) for the near term, hoping to benefit politically by serving as an intermediary between Taiwan's business and agricultural interests and Beijing. If KMT Chairman Ma wins the presidential election in 2008, many KMT cross-strait experts predict he will work to build cross-strait relations on the basis of the "1992 consensus," which the KMT defines as consensus on "one China, separate interpretations," with the KMT's "one China" being the Republic of China (ROC). While these KMT experts are optimistic that Beijing will show greater flexibility toward a KMT-ruled Taiwan, some pro-DPP academics doubt that Beijing will accept the KMT's "separate interpretation" of "one China." End Summary.

KMT-CCP Dialogue on Economics but not Politics

12. (C) Since the historic visit to Beijing in April-May 2005 by then-Kuomintang (KMT) Chairman Lien Chan, who met and issued a joint press communique with PRC President Hu Jintao, the KMT has engaged the Chinese Communist Party (CCP) in a broad dialogue on economic issues. While this economic dialogue pressures the ruling Democratic Progressive Party (DPP) to further liberalize its cross-strait policy, KMT Director for Mainland Affairs Chang Jung-kung told AIT, the KMT-CCP exchanges also help Taiwan's business interests in China. The KMT is able to raise the concerns of Taiwan business people in China with PRC officials, Chang explained, a role the DPP government cannot play as Beijing refuses to deal directly with the pro-independence DPP. Chang told AIT that the KMT is working to expand its role as an intermediary between Beijing and Taiwan businesses via another joint conference and communique planned for this spring.

13. (C) Growing cross-strait economic ties and exchanges do not give the CCP substantial political leverage over the KMT, Chang argued. No political party in Taiwan, especially one that seeks to become the ruling party, can afford to appear to "sell out" Taiwan. Chang noted that he was considering broaching the idea of a KMT-CCP political dialogue with the KMT leadership, adding that two possible topics of interest

to Taiwan would be reducing the PRC missile threat and expanding Taiwan's "international space." Despite the progress on economic dialogue, however, Chang acknowledged the possibility of discussing more sensitive political issues with Beijing appeared low in the near term. Chang surmised the CCP might prefer to wait until the KMT is the ruling party before addressing sensitive political issues on which the KMT, as an opposition party, now has only limited influence.

¶4. (C) Chang said he did not agree with KMT Chairman Ma Ying-jeou's recent suggestion that the KMT could serve as an intermediary between the CCP and the DPP, a suggestion the DPP immediately rejected. Chang, who told AIT that Ma's comments were poorly chosen, emphasized it is unrealistic for his party to serve as a "broker" between the two sides. Especially when it comes to political issues, the CCP has no interest in engaging the ruling DPP directly since it advocates Taiwan independence. (Comment: A number of DPP members have told AIT that Beijing is, in fact, reaching out gingerly to "light Green" DPP leaders, in order to wean them toward improved cross-Straits relations in the event the DPP wins the 2008 presidential election. Former DPP legislator Shen Fu-hsiung, for example, told AIT that Beijing had several times approached him with invitations to visit Mainland China, which Shen had turned aside in order not to handicap his own chances in upcoming legislative elections. End Comment.)

KMT Looks to 2008...

¶5. (C) KMT-affiliated National Policy Foundation (NPF) Research Fellow Kao Koong-liang told AIT that the KMT's

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mainland policy guidelines, published in the party's 2004 white paper, along with Chairman Ma's "five dos" announced early last year, will serve as a blueprint for the KMT's cross-Straits policy should the party come into power in the 2008 presidential election. Kao argued that Taiwan's acceptance of the "1992 consensus" is the key to any breakthrough in cross-Straits relations, including resumption of the cross-Straits dialogue, which the PRC suspended in 1999 following President Lee Teng-hui's announcement of his "two-state theory." While the KMT under Ma Ying-jeou accepts the 1992 consensus, the DPP has opposed it and is unlikely to accept it in the future, Kao suggested. (Note: Ma's "five dos" call on Beijing and Taipei to resume talks on the basis of the 1992 consensus, conclude a peace agreement, work toward building a common market, seek a modus vivendi for Taiwan's international participation, and expand cultural and educational exchanges. End Note.)

¶6. (C) KMT Director of Overseas Affairs Ho Szu-yin, a close advisor to Ma, told AIT that Ma acceptance of the "1992 consensus," means "one China, separate interpretations," with one China being the Republic of China (ROC). However, Ma does not support rapid unification, Ho emphasized, characterizing the party's stance as more a policy of anti-Taiwan independence than pro-unification. Chang Jung-kung explained that the "1992 consensus" is the only framework ambiguous enough to allow the CCP and KMT to return to the negotiating table, adding that the party does not accept the "special state-to-state relations" framework put forth in 1999 by President Lee Teng-hui, who was then leader of the KMT. Other KMT leaders have in recent weeks taken pains to publicly assert that the KMT does not support unification in the foreseeable future. Deep-Blue legislator Ting Shou-chung told AIT that he and his close (read: deep-Blue) colleagues have no desire to unify with a "non-democratic" PRC, and that only eventual changes in the PRC itself would warrant support for eventual unification.

¶7. (C) The KMT's acceptance of the "1992 consensus" and its willingness to engage with the CCP does not mean the party

will weaken its relations with the U.S., Kao Koong-liang hastened to add. He contrasted the KMT's policy of maintaining balanced relations with Beijing and Washington with the DPP's policy aimed at keeping Beijing at arms length. An improved relationship with the mainland is imperative for Taiwan's economic growth, Kao argued, adding that the KMT understands that Taiwan businesses need to invest in China in order to survive.

...And to Beijing for Flexibility

18. (C) KMT cross-Strait experts are generally optimistic that Beijing will demonstrate increased flexibility on cross-Strait issues should the KMT regain power in the 2008 presidential election. Chang Jung-kung, who has frequent dealings with PRC officials, suggested that Beijing's growing self-confidence has made it more accommodating in its approach toward Taiwan. Asked how Beijing would respond to Ma's "one China, separate interpretations" formula, Chang said he thought Beijing would show some flexibility and exercise patience. To date, Beijing has not commented publicly or rejected Ma's formulation. This indicates that while China cannot endorse Ma's position, it can tacitly and grudgingly accept it as a basis for resuming cross-Strait dialogue.

Green Skepticism

19. (C) Some pro-DPP academics have told AIT they do not expect Beijing to give ground to the KMT on the "1992 consensus" issue. Hsu Szu-chien, an assistant research fellow at Academia Sinica, predicted that the PRC will not allow room for differing interpretations of "One China." Lo Chih-cheng, head of Soochow University's political science department, expressed doubt that Beijing would allow Ma to be vague on this point or give him the leeway to interpret one China as the ROC. Lo predicted that cross-Strait policy will

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be the main issue in the upcoming presidential election, as other issues such as economic development and constitutional reform are directly tied to cross-Strait policy. The DPP will try to keep Ma on the defensive by pressing him to provide details regarding his vision for future relations with the mainland.

Comment

110. (C) The KMT dialogue with the CCP is a double-edged sword. It appeals to those who think Taiwan's future, especially its economic future, requires closer relations with the PRC, while at the same time it fuels the DPP's political rhetoric that the KMT is all too ready to "sell out" Taiwan to the PRC for its own interests and to further a policy of "ultimate unification." The KMT hopes that the economic benefits of cross-Strait relations will outweigh arguments against improved relations, convincing the electorate that voting KMT rather than DPP will bring increased prosperity to Taiwan.

WANG